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Power sector interventions fail to spark growth

Nepra report says inefficiencies continue to fuel circular debt

By Khaleeq Kiani

ISLAMABAD: Despite over 35 years of 'reforms' and policy interventions, Pakistan's power sector remains incapable of instilling confidence in the country's economic growth and in consumers' trust, leading to gains secured from power producers through renegotiations evaporating amid unending inefficiencies.

This charge sheet has been framed by the National Electric Power Regulatory Authority (Nepra) against the policymakers and power sector managers in its flagship 'State of the Industry Report 2025', while conceding that regulatory powers for correction had been diluted through administrative and legal challenges.

It said the inefficiencies of the distribution companies (Discos) contributed around Rs400 billion to the circular debt, while law-abiding consumers paid around Rs235bn in debt servicing surcharge (DSS) in 2024-25, not due to normal business practices but to inefficiencies.

It said that despite some structural and policy-level interventions, "overall progress remained limited and insufficient to instil confidence in its ability to drive sustained industrial growth and provide meaningful relief to electricity consumers across industrial, commercial, agricultural, and residential categories. The sector continues to face deep-rooted operational and governance challenges that constrain its efficiency and undermine its potential contribution to economic development".

It pointed out that underutilised generation capacity was resulting in a persistent financial burden in the form of capacity payments for idle plants, and the transmission network is both underutilised and constrained, contributing to higher transmission tariffs while also preventing the dispatch of electricity from cheaper and more efficient generation sources in accordance with the Economic Merit Order (EMO).

On the distribution side, many government-owned Discos continue to exhibit poor governance practices, with T&D losses exceeding allowable limits, a low bill recovery ratio, and load-shedding practices based on Aggregate Technical and Commercial (AT&C) losses. These inefficiencies further exacerbate the underutilisation of generation, transmission, and distribution assets and contribute to the circular debt problem.

It said the challenges confronting power sector entities, largely driven by the entities owned by the government, were complex and spanned across planning, execution, and operational domains. "Persistent inefficiencies in strategic planning, project implementation, and routine operations have hindered the sector's ability to achieve financial sustainability and contribute effectively to national economic growth", it said adding that these issues were further exacerbated by weak governance, limited accountability, and the absence of performance-driven management practices, all of which constrain the sector's capacity to optimise its assets and consistently provide affordable, reliable electricity to consumers.

The regulator pointed out that renegotiations and termination of contracts led to decommissioning of 2,829MW to 41,121MW as of June 30, 2025, from 45,888MW as of June 30, 2024, with the addition of a 884MW hydropower plant, but the utilisation factor of thermal power plants, including nuclear, in the national grid remained only 38.82pc in 2024-25. Generation cost represents the largest component of the electricity tariff at the consumer level, accounting for approximately 82pc.

It appreciated the government's efforts to reduce electricity tariffs but pointed out persistent operational inefficiencies in public-sector power plants, such as the 747MW Guddu Power Plant, the 969MW Neelum-Jhelum Hydropower Plant, and several other hydroelectric plants under Wapda, which were significantly undermining these initiatives. "Consequently, the intended financial relief from many IPPs' tariff adjustments, as well as the retirement or decommissioning of other underperforming power plants, is being offset, limiting the overall effectiveness of sector reforms".

On top of that, another factor adversely affecting overall generation costs was highlighted as the lower utilisation of coal-based power plants using Thar coal.

Reduced plant utilisation has negatively affected both the capacity and energy purchase prices, as the fixed costs of mining operations are embedded within the EPP component. The utilisation factor of Thar coal-based power plants stood at 67.23pc during 2024-25. Moreover, the delay in establishing a regular supply of Thar coal to Lucky Electric Power Company Ltd has further contributed to inefficiencies and higher generation costs.

A notable example of inefficiency was the underutilisation of the 4,000MW capacity Matiari-Lahore High Voltage Direct Current (HVDC) transmission line, whose utilisation factor remained only 35pc during 2024-25, despite payments being made based on a 100pc availability factor. This adversely affects both the transmission tariff and the overall cost of electricity.

The regulator put on record that "KE, Pesco, Hesco, Sepco, and Qesco are the poorest performers, with T&D losses far exceeding Nepra limits, low revenue recovery, excessive AT&C losses, prolonged load-shedding, mounting receivables, poor service quality, and high consumer dissatisfaction. Their performance is weak across nearly all operational and financial indicators".

Operational inefficiencies persisted across all Discos, including KE. Delays in new connections, meter replacements, and net-metering approvals were common. Overbilling practices, particularly detection bills issued without due process, and frequent inflated billing complaints further undermined consumer trust.

It said despite over two decades of their incorporation, the majority of Discos largely failed to function as true corporate entities and were increasingly being brought under centralised control, and their Boards of Directors (BoDs) show little interest in improving the financial health of these companies or transforming them into organisations of international standard.

As if that was not enough, there was a lack of accountability for board members, Chief Executive Officers, and other officers and officials. This absence of deterrence has emboldened these entities to maintain the status quo, perpetuating inefficiencies and poor performance across the sector. On top of that, the regulator's monitoring and enforcement drive had "been diluted by lengthy review, appeal, and petition processes, which were so time-consuming that they undermine the very purpose of enforcement actions". Furthermore, the limitation on taking action against delinquent individuals weakens the regulator's monitoring and enforcement efforts.

LSM growth rebounds in November

By Mubarak Zeb Khan

ISLAMABAD: The Large-Scale Manufacturing (LSM) sector posted a year-on-year growth of 10.37 per cent in November 2025 amid ongoing economic challenges, showed figures released by the Pakistan Bureau of Statistics on Friday.

The improvement suggests that the adverse impact of recent flooding on industrial activity has largely subsided, allowing for a gradual stabilisation in production across key sectors.

The growth in November was led by automobiles, petroleum products, apparel, construction-linked industries, beverages, and electrical equipment, pointing to both consumer demand and investment-related activity picking up.

On a month-on-month basis, the LSM recorded an uptick of 0.16pc in November 2025.

The first month (July 2025) of the current fiscal year saw robust growth of 8.99pc, which fell to sluggish 0.54pc in August, then slightly reversed to 2.69pc in September and 8.33pc in October.

The LSM grew 6.01pc year-on-year during July-November 2025-26, mainly due to the good performance of the automobile and cement sectors.

Food group production rose 3.43pc YoY in 5MFY26. Wheat and rice milling grew by 4.36pc, and sugar and bakery products by 4.80pc, respectively, primarily due to improved crop yields.

However, cooking oil production increased by 6.03pc, while vegetable ghee production fell by 1.07pc. However, tea blended declined by 6.12pc.

The overall textile sector recorded growth of 1.77pc in 5MFY26 on a YoY basis. Cotton yarn has increased by 1.92pc, while cotton cloth has increased by 0.24pc, accounting for more than 80pc of the textile sector. The primary cause of the production slowdown was a slight decline in export unit values amid lower demand for textiles.

Garment exports recorded a 7.14pc YoY growth in 5MFY26. However, the garment sector recorded a double-digit growth rate of 18.43pc in November 2025 compared with a year ago.

Coke and petroleum products surged 18.06pc in 5MFY26. Most of the petroleum products posted a positive growth in production during the months under review. Petrol production increased by 15.05pc, high-speed diesel by 28.81pc, jet fuel oil by 9.97pc, and kerosene oil by 23.71pc. However, furnace oil production dipped 6.97pc.

However, LPG production increased by 21.55pc, and petroleum products by 52.77pc.

The automobile sector grew 75.15pc in 5MFY26 on a YoY basis.

LARGE-SCALE manufacturing expanded 10.37 per cent year-on-year in November despite floods.—APP/file

RLNG price cut by up to 5pc

By Our Staff Reporter

ISLAMABAD: The Oil and Gas Regulatory Authority (Ogra) on Friday notified up to five per cent reduction in the price of regasified liquefied natural gas (RLNG) at the distribution stage for the current month, mainly due to lower international oil prices.

This is the second consecutive monthly reduction, following around a 6pc decline in December, cumulatively bringing down RLNG prices by more than 11pc over two months. Before this drop, prices had increased by 4.4pc during October and November.

Karachi-based Sui Southern Gas Company Limited (SSGCL), which serves consumers in Sindh and Balochistan, reported distribution-stage system losses of 12.55pc, up from 10.6pc a couple of months earlier. Meanwhile, Lahore-based Sui Northern Gas Pipelines Limited (SNGPL), supplying gas to Punjab and Khyber Pakhtunkhwa, reported system losses of nearly 9pc at the distribution stage, compared to 7.47pc in October.

According to the notification, the RLNG sale price for SNGPL at the transmission stage declined by 4.62pc to $10.41 per million British thermal unit (mmBtu) for January 2026, from $10.92 per mmBtu in December 2025 and $11.24 in September.

As a result, the sale price at the distribution stage for SNGPL was reduced by 4.68pc to $11.27 per mmBtu for January, compared to $11.83 in December and $12.24 in November.

On the other hand, the RLNG sale price for SSGCL at the transmission stage decreased by 5.25pc to $8.98 per mmBtu for January, from $9.47 in December, $10.065 in November and $9.86 in September.

The distribution-stage sale price for SSGCL was also reduced by 5.26pc to $10.21 per mmBtu for the current month, compared to $10.77 in December, $11.45 in November and $11.01 in September.

Ogra said the reduction in RLNG prices was due to a decrease in the delivered ex-ship (DES) price. Unaccounted-for gas (UFG) for both companies at the distribution stage had increased two months ago.

Ironically, the RLNG distribution prices of $10.21 per mmBtu for SSGCL and $11.27 for SNGPL are almost $3.3 and $4.25 per mmBtu higher than the average DES price, respectively.

This is mainly because both LNG importers, Pakistan State Oil (PSO) and Pakistan LNG Ltd (PLL), along with port authorities, charge profit margins on account of retainage at the rate of 3.77pc of the DES price, on top of losses of 8.97pc for SNGPL and 12.55pc for SSGCL.

Discos seek to extract Rs4bn more for December

ISLAMABAD: After refusing to pass on to consumers a 62-paisa per unit reduction determined by the regulator in the base national tariff for the current fiscal year, the power companies on Friday sought a 48-paisa per unit increase in fuel cost charges to consumers across the country in February bills despite more than 72pc generation in December from cheaper domestic, predominantly zero-cost fuel sources.

Once approved, the power companies would charge an additional amount of about Rs4 billion to consumers of all the power companies, including ex-Wapda Distribution Companies (Discos) and K-Electric, in February bills. The National Electric Power Regulatory Authority (Nepra) has called a public hearing on Jan 29 to examine the request for fuel cost adjustment (FCA).

Earlier this week, the government had announced that a 62-paisa per unit saving in the national average tariff had been eaten up by the highly subsidised 'protected' consumers, who more than doubled to 22 million from around 9.5m three years ago, and their consumption also doubled.

The CPPA, which filed the petition for higher FCA for December consumption, said the power consumption was around 9pc higher than the same month of the previous year and about 15pc lower than November 2025. —Khaleeq Kiani

Women finance code launched

By Our Staff Reporter

KARACHI: The State Bank of Pakistan (SBP) on Friday began implementing the Women Entrepreneurship Finance (WE-FI) Code, adopted on July 7, 2025, to dismantle the financial barriers faced by women-led businesses.

To kick off the implementation of the code, the central bank held a two-day workshop in collaboration with the Asian Development Bank (ADB) in Islamabad, bringing together signatory banks, regulators, and development partners to formulate a concrete national action plan, the central bank said in a statement.

"We are building pathways that ensure women entrepreneurs can fully participate in and contribute to Pakistan's economic growth," said SBP Deputy Governor Saleem Ullah while addressing the inaugural consultative workshop. He reaffirmed SBP's commitment to advancing the agenda of promoting women's entrepreneurship and their access to finance to build an inclusive and sustainable financial system, as outlined in its Strategic Plan 2028.

Mr Saleem also highlighted SBP's continued commitment to advancing women's financial inclusion through banking on equality policy and digital initiatives.

He said that while access to financial services has improved, structural barriers continue to limit women entrepreneurs' access to formal credit. In this context, he emphasised that the code represents a crucial and actionable framework.

As the lead implementing agency in Pakistan, SBP has mobilised a coalition of 23 financial institutions — including conventional, Islamic, and microfinance banks — alongside the Pakistan Banks Association (PBA), all united under the code's action-oriented framework.

The workshop concentrated on actionable strategies for gender-intelligent product innovation, improved data collection and reporting, and strengthened credit appraisal mechanisms tailored to women-led enterprises.

Before the workshop, a delegation of senior officials from the SBP and ADB convened a Roadshow on the WE-FI Code for key ecosystem stakeholders beyond the financial sector. The delegation held strategic dialogues with the Securities and Exchange Commission of Pakistan, Pakistan Telecommunication Authority, and Small and Medium Enterprises Development Authority.

Weekly inflation rises 3.8pc

By Our Staff Reporter

ISLAMABAD: Short-term inflation, measured by the Sensitive Price Index (SPI), increased 3.87 per cent year-on-year in the week ending Jan 15 due to an increase in the retail price of tomatoes and LPG cylinders.

The SPI-based inflation recorded an upward trend over the past 24 consecutive weeks, mainly driven by surges in the prices of perishable products, wheat flour, and pulses. It, however, increased by 0.25pc from the previous week due to a consistent increase in non-perishable food items, official data showed on Friday.

The items whose prices increased the most over the previous week included tomatoes (27.64pc), LPG (7.03pc), wheat flour (3.26pc), eggs (2.19pc), bananas (1.68pc), chilli powder (1.02pc), firewood (0.80pc), pulse moong (0.70pc), georgette (0.69pc), mustard oil (0.67pc) and powdered milk (0.36pc).

The items whose prices declined week-on-week included potatoes (6.72pc), onions (3.82pc), chicken (1.66pc), salt powder (0.67pc), pulse gram (0.58pc), rice basmati broken (0.44pc), vegetable ghee 1kg (0.31pc) and pulse masoor (0.29pc).

However, on an annual basis, the items whose prices increased the most included wheat flour (34.90pc), gas charges for Q1 (29.85pc), eggs (20.85pc), beef (12.83pc), chilies powder (12.56pc), sugar (10.43pc), firewood (10.35pc), gur (9.97pc), powdered milk (9.90pc), bananas (8.92pc), lawn printed (8.29pc) and shirting (7.93pc).

In contrast, the prices of potatoes dropped 46.60pc, followed by onions (37.30pc), garlic (35.91pc), tomatoes (32.88pc), pulse gram (31.03pc), tea Lipton (17.79pc), pulse mash (13.69pc), pulse masoor (9.55pc), diesel (1.27pc) and petrol (0.95pc).

Stocks rally on easing geopolitical jitters

By Muhammad Kashif

KARACHI: The Pakistan Stock Exchange (PSX) staged a robust recovery on Friday, buoyed by strong year-on-year growth in large-scale manufacturing and easing geopolitical concerns, as investors indulged in aggressive value-hunting after days of caution.

Market sentiment improved after US President Donald Trump signalled that the crackdown on protesters in Iran was easing, reducing fears of a broader regional military conflict that could disrupt oil supplies. The apparent calm-down boosted investor confidence, prompting broad-based buying across key sectors, particularly oil and gas, fertilisers, and banking.

According to Topline Securities Ltd, bulls dominated the trading session as the benchmark KSE-100 index surged to close at 185,099.83, rallying 3,642.49 points or 2.01 per cent mainly supported by local institutional buying.

Oil and Gas Development Company, Pakistan Petroleum, Hub Power, Engro Holdings, Fauji Fertiliser, United Bank and Meezan Bank emerged as the top contributors, together adding 1,725 points to the index.

Ali Najib, Deputy Head of Trading at Arif Habib Ltd, said the market closed on a strong bullish note amid improved global cues and encouraging domestic indicators. "The easing of geopolitical uncertainty in the Middle East triggered across-the-board buying, reinforcing positive momentum at the local bourse," he noted.

On the macroeconomic front, the government kept petrol and diesel prices unchanged for the Jan 16-31 fortnight, as higher petroleum levies offset lower ex-refinery prices. The Inland Freight Equalisation Margin edged down slightly, while oil marketing companies' margins remained flat at Rs7.87 per litre.

Meanwhile, data showed that large-scale manufacturing output expanded by 10.4 per cent year-on-year in November 2025, though month-on-month growth remained muted at 0.2 per cent. Inflationary pressures persisted, with the Sensitive Price Index rising 3.87pc year-on-year and 0.25pc on a weekly basis.

Trading activity remained brisk, with volumes rising 17.01pc to 959 million shares, while traded value jumped 51.08pc to Rs69.46 billion. Arif Habib Corporation led the volume chart, with 72.9 million shares changing hands.

Analysts believe the market could retest its all-time high of 187,905 in the coming week, provided geopolitical calm and positive macroeconomic trends continue.

PAKISTAN STOCK EXCHANGE

THE TOP FIVERS

GAINERS		LOSERS		LEADERS*	
PIA Holding CoB	408.01	Unilever Foods	340.83	Arif Habib Corpn	72.95
Rafhan Maize	223.48	Nestle Pakistan	46.73	K-Electric	39.19
Atlas Honda	74.89	Premium Textile	31.14	PIBT	36.20
Thal Limited	58.00	D.M. Corporation	29.41	Media Times Ltd	34.72
Hoechst Pakistan	53.14	Siemens Pakistan	11.23	Nishat Chunian	32.54

(Share values in rupees)

* Volume in millions of traded shares

ACTIVITY

Total listed	532
Active	482
Gainers	334
Losers	117

PARTICIPANTS

Foreign	▼ $7.77m
Companies	▼ $1.97m
Banks	▲ $3.76m
Mutual Funds	▲ $7.23m
Individuals	▲ $3.36m

INDICATORS

	Friday	Previous	Change
KSE 100-SHARE INDEX (Points)	185,098.83	181,456.34	▲ 3,642.49
KSE 30-SHARE INDEX (Points)	56,737.75	55,625.67	▲ 1,112.08
MARKET CAPITAL (Rs billion)	20,974.905	20,537.406	▲ 437.499
TRADING VALUE (Rs billion)	69.463	45.976	▲ 23.487

US DOLLAR	BUYING Rs280.38 SELLING Rs281.00	EURO	BUYING Rs325.58 SELLING Rs328.79
GBP	BUYING Rs375.73 SELLING Rs379.24	UAE DIRHAM	BUYING Rs76.53 SELLING Rs77.29
KSA RIYAL	BUYING Rs74.84 SELLING Rs75.44	GOLD	TOLA Rs482,462 10 GMS Rs413,633